

A STUDY ON FINANCIAL PERFORMANCE USING RATIO ANALYSIS OF GSFC LTD. & GNFC LTD., GUJARAT

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ABSTRACT

The present study of the research title on “A Study on Financial Performance using Ratio Analysis of GSFC Ltd. & GNFC Ltd”. Gujarat Financial Associate in tending analysis cited budget analysis or accounting analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. The most plans behind this study are to research the money operative position of the corporate. This analysis is completed to facilitate of secondary information that is gathered from the annual report of the corporate. The financial performance is measured by exploitation numerous money tools like profitability magnitude relation, financial condition magnitude relation, comparative statement, etc. supported the analysis, findings are arrived that the corporate possesses enough funds to satisfy its debts & liabilities, the profit-and-loss statement of the corporate shows sales of the corporate inflated once a year at sensible rate and profit conjointly increased once a year.

KEYWORDS: Financial Analysis, Ratio Analysis, Profitability Ratio, Liquidity & Indebtedness

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INTRODUCTION AND MANAGEMENT ABOUT GSFC LTD. & GNFC LTD.

The GSFC Ltd. was incorporated on 15 February 1962, in Gujarat. The company manufactures chemical fertilisers, petrochemicals and alternative allied merchandise like organic compound, ammonia salt, diammonium phosphate, ammonia, vitriol, caprolactam, argon gas, etc., and nylon-chips and alkali.

The GNFC Ltd. Corporation was built-in on 10th May, in Bharuch, Gujarat. The Company was promoted by Government of Gujarat and Gujarat State Fertilisers Co., Ltd. (GSFC). The corporate manufactures chemical fertilisers, notably ammonia and organic compound and petrochemicals.

Table 1

Designation	GSFC Ltd.	GNFC Ltd.
Chairman	J N Singh	J N Singh
Director	Vasant P Gandhi Vijai Kapoor Arvind Agrawal Ajay N Shah Geeta Goradia D C Anjaria	Mamta Verma Piruz Khambatta Arvind Sahay Sunil Parekh
Managing Director	Sujit Gulati	M S Dagur
Additional Director		Arvind Agarwal Sujit Gulati

OBJECTIVES OF STUDY

To identify the money fluctuations of gain, liquidity position within the selected companies.

- To know the profit level of the selected company.
- To identify any consistent results or trends by victimization analytic thinking.
- To identify the money performance and distribution of selected.

SCOPE OF THE STUDY

The main aim of the study is to investigate the monetary position of the corporate victimization monetary tool like magnitude relation analysis. This is often principally worn out order to search out the monetary soundness of the corporate. Normally the study focuses on the monetary position of the corporate.

LIMITATION OF THE STUDY

The study suffers from bound limitations and a few of those area unit mentioned below in order that finding of the study may be understood during a correct perspective. The restrictions of the study are as follows:

- The study time is forbidden to 5 year solely.
- The study is predicated on secondary information collected from websites.
- The information is accessible on company's websites.
- To suggest effective measures in the existing system of the company.

REVIEW OF LITERATURE

Dr. S. Vijayalakshmi, Sowndarya. K & Sowndharya. K (2017), Authors published article on "A Study on Financial Performance Analysis of Bharti Airtel Limited". Financial performance is finished to judge the capability, stability and gain of the corporate. Money analysis helps investors to appraise whether or not they ought to invest during an explicit company or not. The most objective of this study is to grasp the short term and long run money position of the corporate and to grasp the profit level of the corporate. it's analyzed mistreatment short term, long run and gain ratios for the amount 2011–2016, supported the secondary knowledge that's record and profit/loss account. The corporate has got to stabilize its financial gain while not a lot of increase in operational expenses.

Jyotirmoy Koley (2019), Studied on "Analysis of Financial Position and Performance of Public and Private Sector Banks in India: A Comparative Study on SBI and HDFC Bank". The current study is created to live the funds position, performance and potency of the biggest public sector bank (SBI) and personal sector bank (HDFC). The target of the study is to spot the money position and performance of the chosen banks and to look at whether or not any important distinction exists in their performance. The study is predicated on secondary information that has been collected from annual reports of the chosen banks covering an amount of 5 years from 2013–2014 to 2017–2018. The camel model has been accustomed to assess the money strength of the chosen banks. T-test has been used on the vital parameters like capital adequacy, plus quality, management potency, earnings ability and liquidity to draw the conclusion of the study.

DATA ANALYSIS & INTERPRETATION

Data analysis and interpretation is the process of assigning meaning to the collected information and determining the conclusions, significance and implications of the findings. It is an important and exciting step in the process of research. In all research studies, analysis follows data collection.

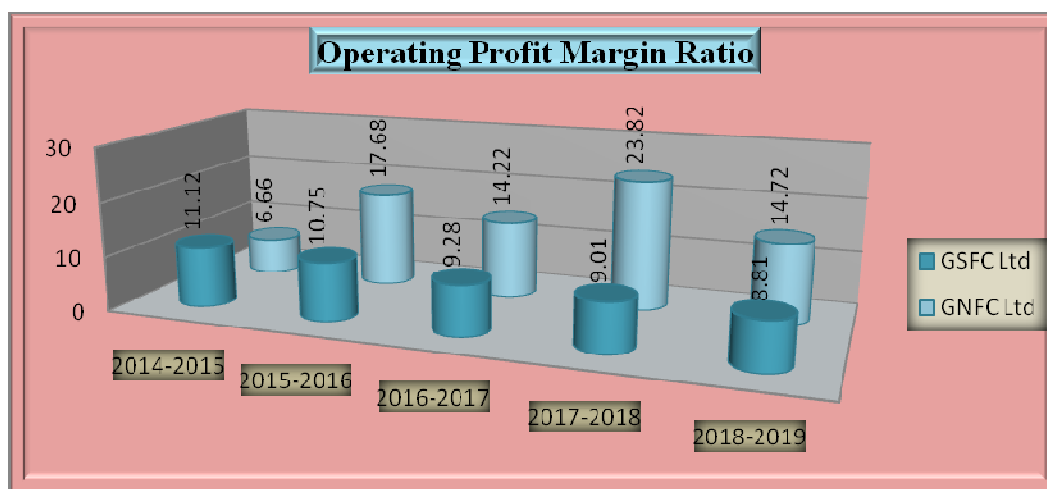
Operating Profit Ratio

Operating net profit ratio is considered by dividing the operating net profit by sales. This ratio helps in formative the ability of the management in running the industry.

$$\text{Operating Profit Ratio} = (\text{Operating profit} / \text{Net sales}) \times 100$$

Table 2: Operating Profit Ratio of Selected Companies

Financial Year	GSFC Ltd.	GNFC Ltd.	Total	Average
2014-2015	11.12	6.66	17.8	8.89
2015-2016	10.75	17.68	28.4	14.215
2016-2017	9.28	14.22	23.5	11.75
2017-2018	9.01	23.82	32.8	16.415
2018-2019	8.81	14.72	23.5	11.765
Total	48.97	77.1		
Average	9.794	15.42		



Graph 1: Operating Profit Ratio of Selected Companies.

Interpretation

Table 1 point out the Operating Profit Ratio of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as decreasing trend. The highest Operating profit ratio of GSFC Ltd. was 11.12% in 2014–2015 and the least of Operating profit Ratio ratio 8.81% in 2018–2019. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Operating profit ratio of GSFC Ltd. was 23.82% in 2017–2018 and the least of Operating profit Ratio ratio 6.66% in 2014–2015.

Gross Profit Ratio

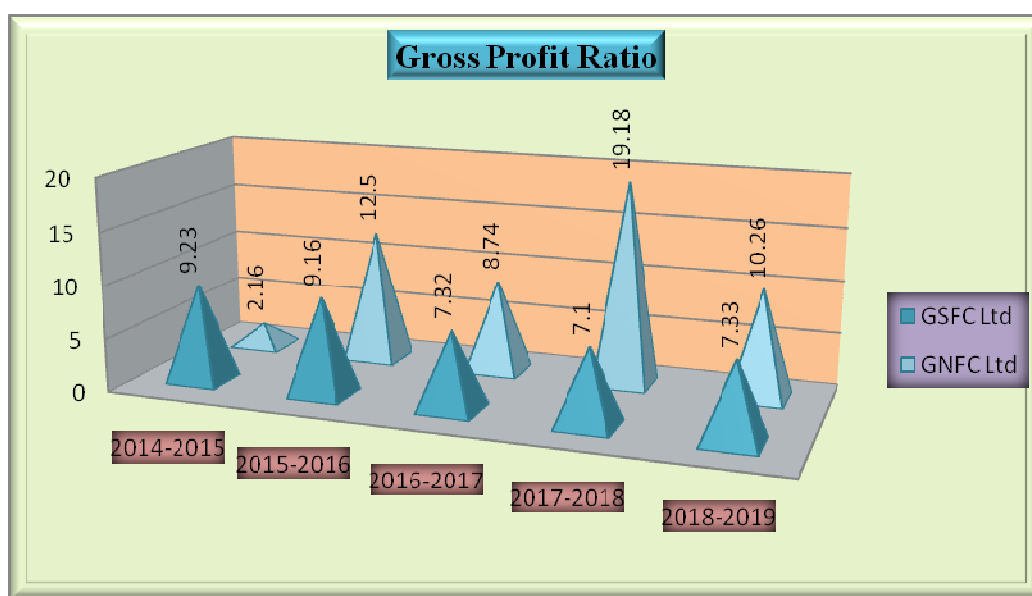
Gross profit quantitative relation is the quantitative relation of net to income i.e. sales less sales returns. The quantitative relation therefore reflects the margin of profit that a priority in a position to earn on its commerce and producing activity.

It's the foremost ordinarily calculated quantitative relation. It's utilized for inter-firm and inter-firm comparison of business results.

$$\text{Gross Profit} = \text{Gross profit} / (\text{Net sales} \times 100)$$

Table 3: Gross Profit Ratio of Selected Companies

Financial Year	GSFC Ltd.	GNFC Ltd.	Total	Average
2014-2015	9.23	2.16	11.4	5.695
2015-2016	9.16	12.5	21.7	10.83
2016-2017	7.32	8.74	16.1	8.03
2017-2018	7.1	19.18	26.3	13.14
2018-2019	7.33	10.26	17.6	8.795
Total	40.14	52.84		
Average	8.028	10.568		



Graph 2: Gross Profit Ratio of Selected Companies.

Interpretation

Chart no 2 indicates the Gross Profit Ratio of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Gross profit ratio of GSFC Ltd. was 9.23% in 2014–2015 and the least of Operating profit Ratio ratio 7.1% in 2017–2018. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Operating profit ratio of GSFC Ltd. was 2.16% in 2014–2015 and the least of Operating profit Ratio ratio 19.8% in 2017–2018.

Return on Capital Employed

ROCE stands for come back on Capital Employed; it's a monetary quantitative relation that determines a company's gain and also the potency of the capital is applied. A better ROCE implies an additional economical use of capital; the ROCE ought to be above the cost of the capital. If not, the corporate has a smaller amount productive and inadequately building stockholder price.

$$\text{ROCE} = \text{EBIT} / \text{Capital Employed.}$$

Table 4: Return on Capital Employed of Selected Companies

Financial Year	GSFC Ltd	GNFC Ltd	Total	Average
2014–2015	11.38	2.23	13.6	6.805
2015–2016	9.27	14.84	24.1	12.055
2016–2017	5.99	9.78	15.8	7.885
2017–2018	6.52	22.42	28.9	14.47
2018–2019	8.75	15.66	24.4	12.205
Total	41.91	64.93		
Average	8.382	12.986		

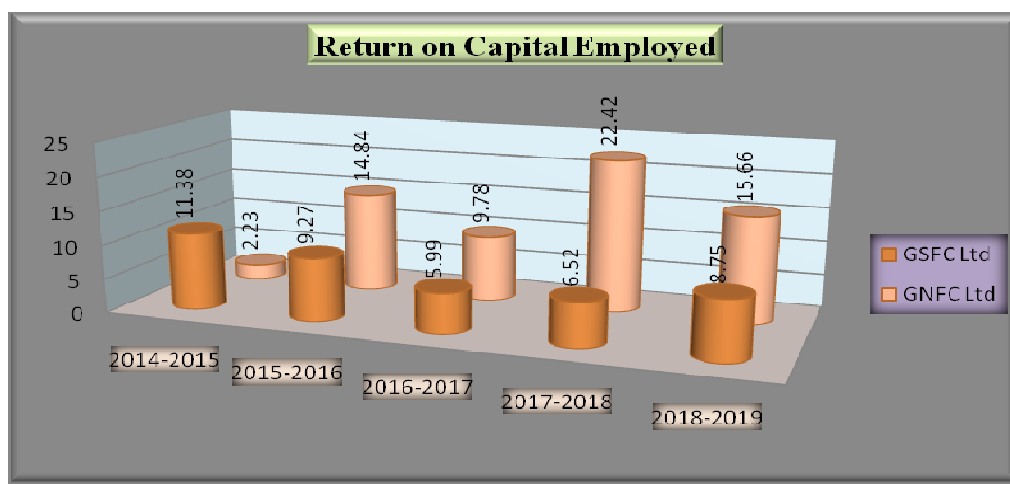
**Graph 3: Return on Capital Employed of Selected Companies.****Explanation**

Diagram signifies the Return on Capital Employed of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Return on Capital Employed of GSFC Ltd. was 11.38% in 2014–2015 and the least of Return on Capital Employed ratio 5.99% in 2016–2017. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Return on Capital Employed of GSFC Ltd. was 22.42% in 2017–2018 and the least of Return on Capital Employed 2.23% in 2014–2015.

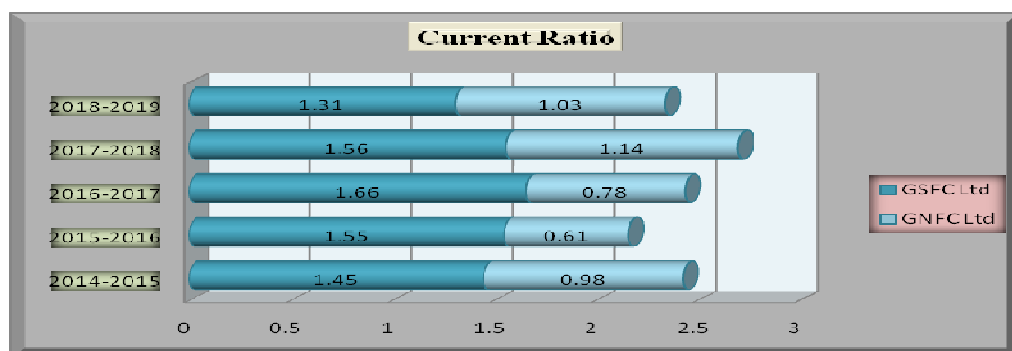
Current Ratio

The current ratio is used to measure a company's short-term liquidity position and provides a quantitative relationship between current assets (CA) and current liabilities (CL).

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

Table 5: Current Ratio of Selected Companies

Financial Year	GSFC Ltd	GNFC Ltd	Total	Average
2014-2015	1.45	0.98	2.43	1.215
2015-2016	1.55	0.61	2.16	1.08
2016-2017	1.66	0.78	2.44	1.22
2017-2018	1.56	1.14	2.7	1.35
2018-2019	1.31	1.03	2.34	1.17
Total	7.53	4.54		
Average	1.506	0.908		



Graph 4: Current Ratio of Selected Companies.

Interpretation

Graph no. 4 designate the Current Ratio of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Current Ratio of GSFC Ltd. was 1.66% in 2016–2017 and the least of Current Ratio 1.31% in 2018–2019. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Current Ratio of GSFC Ltd. was 1.14% in 2017–2018 and the least of Current Ratio 0.61% in 2015–2016.

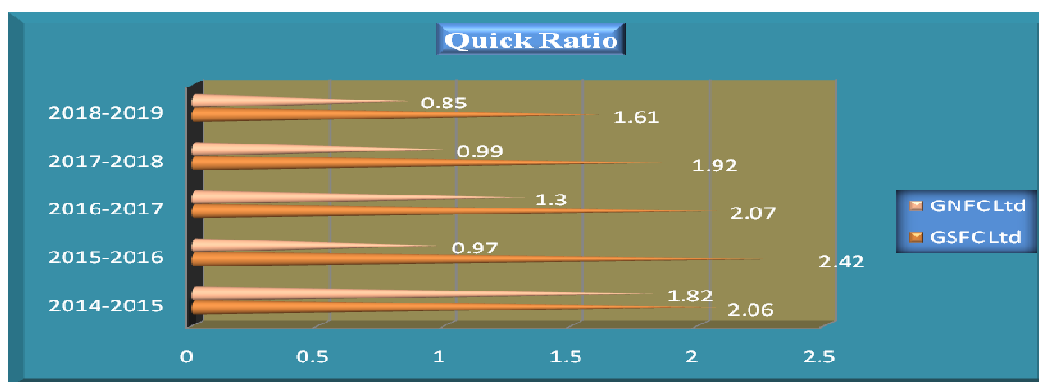
Quick Ratio

Quick Ratio Formula or Acid Test Ratio is one of the most important Liquidity Ratios for determining the company's ability to pay off its current liabilities in the short term.

$$\text{Quick Ratio} = \frac{\text{Total Current Assets} - \text{Inventory} + \text{Prepaid Exp.}}{\text{Current Liabilities}}$$

Table 6: Quick Ratio of Selected Companies

Financial Year	GSFC Ltd.	GNFC Ltd.	Total	Average
2014-2015	2.06	1.82	3.88	1.94
2015-2016	2.42	0.97	3.39	1.695
2016-2017	2.07	1.3	3.37	1.685
2017-2018	1.92	0.99	2.91	1.455
2018-2019	1.61	0.85	2.46	1.23
Total	10.08	5.93		
Average	2.016	1.186		



Graph 5: Quick Ratio of Selected Companies.**Explanation**

Above table Represents the Quick Ratio of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Quick Ratio of GSFC Ltd. was 2.41% in 2015–2016 and the least of Quick Ratio 1.61% in 2018–2019. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Quick Ratio of GSFC Ltd. was 1.82% in 2014–2015 and the least of Current Ratio 0.85% in 2018–2019.

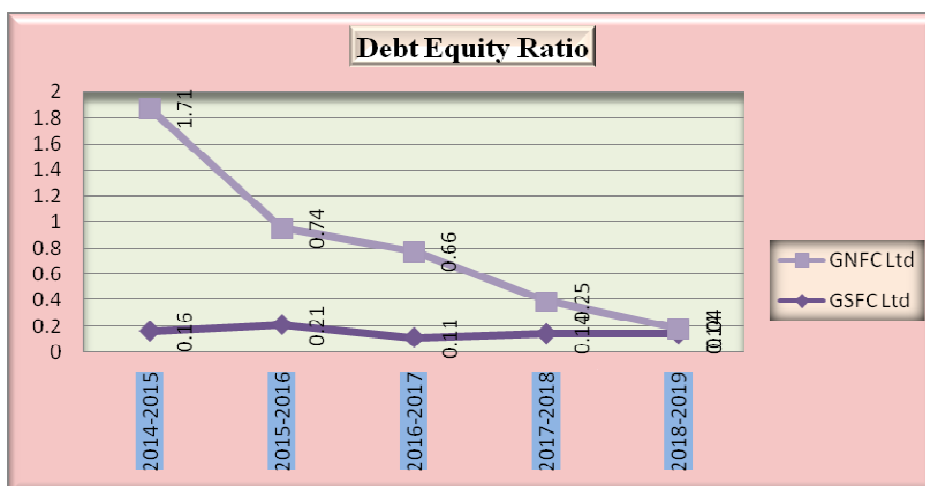
Debt Equity Ratio

The debt to equity the quantitative relation could be money, liquidity quantitative relation that compares a company's total debt to total equity. The debt to equity quantitative relation shows the share of company funding that comes from creditors and investors. The next debt to equity the quantitative relation indicates that additional human funding (bank loans) is employed than capitalist funding (shareholders).

$$\text{Debt Equity Ratio} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

Table 7: Debt Equity Ratio of Selected Companies

Financial Year	GSFC Ltd.	GNFC Ltd.	Total	Average
2014–2015	0.16	1.71	1.87	0.935
2015–2016	0.21	0.74	0.95	0.475
2016–2017	0.11	0.66	0.77	0.385
2017–2018	0.14	0.25	0.39	0.195
2018–2019	0.14	0.04	0.18	0.09
Total	0.76	3.4		
Average	0.152	0.68		

**Graph 6: Debt Equity Ratio of Selected Companies.****Interpretation**

Above table represents the Debt Equity Ratio of selected companies from 2014–2015 to 2018–2019. In the case of GSFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Debt Equity Ratio of GSFC Ltd. was 0.21% in 2015–2016 and the least of Debt Equity Ratio 0.11% in 2016–2017. In the case of GNFC Ltd., as a whole, the table reveals as Fluctuating trend. The highest Debt Equity Ratio of GSFC Ltd. was 1.71% in 2014–2015 and the least of Debt Equity

Ratio 0.04% in 2018–2019.

FINDINGS

- Operating profit ratio of GNFC Ltd. was better compare to GSFC Ltd. during the study period, Therefore GSFC Ltd. improve the growth rate.
- The average operating profit ratio of GSFC Ltd. was 9.794 and GNFC Ltd was 15.42% during the study period from 2014–2015 to 2018–2019. Hence, the performance of GNFC Ltd. was better than the GSFC Ltd.
- The Gross profit ratio of GSFC Ltd. was 8.028% and GNFC Ltd was 10.56% during the study period from 2014–2015 to 2018–2019. Hence, the performance of GNFC Ltd. was superior to the GSFC Ltd.
- Return on Capital Employed of GSFC Ltd. was 8.38% and GNFC Ltd was 12.98% during the study period. Hence, the performance of GNFC Ltd. is better than GSFC Ltd.
- Current ratio of GSFC Ltd was 1.56 and GNFC Ltd was 0.90 score during the study period. Hence, the performance of GNFC Ltd. is good when compared to GSFC Ltd.
- Quick Ratio of GSFC Ltd. was 2.01 and GNFC Ltd was 1.18 mark during the study period hence the performance of GSFC Ltd. is better than GNFC Ltd.

SUGGESTIONS

- Operating Profit Ratio, Gross Profit Ratio, Return on Capital Employed was GNSF Ltd. was better to compare with GSFC Ltd. during the study period, Therefore, GSFC Ltd. maintain a growth rate.
- Current ratio or Quick Ratio was GSFC Ltd. was better to compare GNFC Ltd. during study period there for GNFC Ltd take required steps for improve it.

CONCLUSIONS

From the above research and data analysis and interpretation, following conclusion can be made. Finance is the life blood of modern business, without finance business is not possible. The income analysis can show the investment and funding operational activities of the corporate and conjointly the money increase in decrease within the money. The money payment for the sales of products and repair received from the debtor's payment purchased from the acquisition of inventories and money payment for the creditors. Long term assets, non-operating current assets, and investments. Net effects of influx and outflow of money about these funding activities has set the income statements.

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AUTHOR'S PROFILE



Dr. Mehul Patel is the person who has knowledge of various subjects. He has completed his Ph. D, MBA, MCA and M. Sc in Value Education & Spirituality and Various Certificate Courses. Presently he is serving in C.P. Patel & F.H. Shah Commerce College, ANAND since 3 Years. He has 20 years experience in various categories like research, system analysis, and customization at user end. He taught various faculties like computer science, management, statistics, and mathematics and operation research. He produced **04 National Research Papers, 24 International Research papers, 3 books** published and attended 29 Seminar/Workshops. He is actively **review member** in various international journals like JETIR, IJCRT, IARA and IJSRSET. As well as **Editor in International Journal of Scientific Research in Science, Engineering and Technology (IJSRSET)**, Print ISSN: 2395-1990, Online ISSN : 2394-4099, **Associate Editor** of International Journal of Advance & Innovative Research (ISSN: 2394-7780) and International Journal of Research in Management and Social Sciences (ISSN: 2322 – 0899). **Associate Editor** of International Journal of Commerce & Management Research ISSN: 2455-1627, **Associate Editor** of National Journal of Multidisciplinary Research & Development ISSN: 2455-9040, and **Editorial Member in** International Journal for Innovative Research in Multidisciplinary Field (ISSN: 2455-0620) & International Journal of Research Culture Society (ISSN: 2456-6683). All are UGC Approved.



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Appointed as Expert of NAAC for carrying out Academic Audit of C.P.Patel & F.H.Shah Commerce college, Anand. Invited as Resource Person for Administrative Staff Development Program. Invited as an expert of NAAC for Academic and Administrative Audit of C.P.Patel & F.H.Shah Commerce college, Anand